



2008 Police CALEA® Financial Follow-Up Audit Report

Issued by the
Internal Audit Office
November 12, 2009

**City of El Paso
Internal Audit Office
2008 Police CALEA ® Financial Follow-Up Audit**

EXECUTIVE SUMMARY

The Internal Audit Office has concluded its fieldwork of the follow-up audit of the 2008 Police CALEA ® Financial Audit Report dated September 24, 2008. Based on the follow-up audit fieldwork, we have determined the status of recommendations for each audit finding as outlined in the table below:

Finding No.	Description of Original Finding	Status
1	There is a lack of internal controls over the El Paso Police Department petty cash fund.	Implemented
2	The El Paso Police Department is not maintaining accurate quarterly accounting of agency cash activities.	Implemented
3	Undercover cash fund procedures are not being adhered to by the Directed Investigation Division (DID) sections.	Management Will Assume the Risk
4	The Criminal Investigations Division (CID) Crimes Against Persons (CAP) Section's cash fund is not being administered under an approved set of procedures, does not maintain the proper support documentation, and does not disburse proper denominations.	Management Will Assume the Risk
5	Abandoned Auto does not have documented procedures, provides inconsistent types of receipts, and does not perform reconciliations of revenues and deposits.	Management Will Assume the Risk
6	Daily revenues for Abandoned Auto and the Records Division Public Counter are not being posted to the general ledger in a timely manner and are being grouped as one journal entry making it difficult to trace daily receipts for a particular day.	Management Will Assume the Risk

For a detailed explanation of the findings and the current observations please refer to the appropriate finding contained in the body of this Audit Report.

Based on the results of this follow-up audit, four (4) of the original six (6) findings are in progress and Management will assume the risk of not fully implementing corrective actions. No additional follow-up of this audit will be conducted. However, the El Paso Police Department can expect future audit work to be performed by the Internal Audit Office.

BACKGROUND

The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*, Standard 2500.A1, requires a post audit follow-up on all audit recommendations made to ascertain that appropriate action is taken on reported audit findings. The Internal Audit Office has conducted a follow-up audit of the 2008 Police CALEA ® Financial Audit Report dated September 24, 2008.

AUDIT OBJECTIVES

The audit objective was to determine the implementation status of the recommendations detailed in the original audit report which contained six (6) findings requiring follow-up.

SCOPE & METHODOLOGY

The follow-up audit was limited to a review of the findings and recommendations detailed in the original audit report, dated September 24, 2008. The audit period covered fiscal year 2008-2009. Audit fieldwork included interviewing key personnel, reviewing documents, and testing management processes to determine the status of each recommendation.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

City of El Paso
Internal Audit Office
2008 Police CALEA ® Financial Follow-Up Audit

**ORIGINAL FINDINGS, ORIGINAL RECOMMENDATIONS, MANAGEMENT'S
RESPONSE TO ORIGINAL FINDINGS, FIRST FOLLOW-UP OBSERVATION AND
STATUS, CURRENT OBSERVATION AND STATUS**

Based on the results of follow-up test work, each original finding recommendation will be designated with one of the following four status categories:

<i>Implemented</i>	The finding has been addressed by implementing the original corrective action or an alternative corrective action.
<i>In Progress</i>	The corrective action has been initiated but is not complete.
<i>Not Applicable</i>	The recommendation is no longer applicable due to changes in procedures or changes in technology.
<i>Not Implemented</i>	The recommendation was ignored, there were changes in staffing levels, or management has decided to assume the risk.

Finding 1

Lack of Internal Controls over Police Department Petty Cash Fund

A review of the Police Department Petty Cash fund for fiscal year 2008 identified the following internal control breakdowns:

- There are inadequate activity records maintained for the petty cash fund:
 - On 8/22/08 a petty cash count revealed a balance of approximately \$231.00 without supporting documentation readily available to account for \$569.00 in disbursements and/or advances.
 - On 8/28/08 a petty cash count revealed a balance of \$250.67 with questionable documentation provided for \$549.33 in disbursements. Ten receipts totaling \$378.46 provided by the Financial Services Manager contained altered receipts.
- The contributing factors that allowed the internal control breakdown in the maintenance of the Police Department Petty Cash fund are listed below:
 - The Police Department Financial Services Manager is the petty cash custodian, and also approves petty cash advances, disbursements, replenishments, and picks up the petty cash replenishments from the City Cashier.
 - Petty cash activity is not being reported on a quarterly basis.
 - The petty cash fund is not being handled in accordance with the City of El Paso Petty Cash Manual:
 - Original receipts are not being maintained for petty cash disbursements.
 - A Department/City Cashier Cash Advance Voucher PC-03 form is not being completed, submitted, and properly approved prior to an employee receiving a petty cash advance or a petty cash reimbursement.
 - Petty cash reimbursement receipts are not being submitted within 24 hours from purchase.
 - Petty cash advances are not being reconciled within three days from the date of a cash advance.

Recommendation

The El Paso Police Department should terminate its use of a petty cash fund.

**City of El Paso
Internal Audit Office
2008 Police CALEA ® Financial Follow-Up Audit**

Management's Response

EPPD will terminate its use of a petty cash fund.

Responsible Party

Stuart Ed, Director of Administrative Services

Implementation Date

January 1, 2009

Current Observation

The EPPD terminated its use of the petty cash fund as of January 21, 2009.

Current Status

Implemented.

Finding 2

Quarterly Reporting

The Quarterly reports for the first three quarters in Fiscal Year 2007-2008 for each Police Department Division were reviewed for accuracy against their corresponding ledger or log. The following discrepancies were identified:

- The Police Department Financial Services Manager provided the Internal Audit Office with inaccurate 1st and 2nd quarter reports for the (Directed Investigation Division) DID Alpha Section and DID Narcotics Section.
- The DID Intell Operations 1st quarter quarterly report does not match ledger activity and a quarterly report was not prepared for the 3rd quarter.
- DID Alpha section 3rd quarter activity does not match ledger activity.
- The Crimes Against Persons (CAP) Section does not report cash advances as disbursements in their quarterly cash reporting per instructions from the PD Financial Services Manager.

Recommendation

The Police Department should maintain accurate quarterly accounting and properly prepared quarterly reports of all agency cash activities.

Management's Response

The Financial Services Manager and DID/CID Divisions will maintain accurate quarterly accounting and properly prepared quarterly reports of all agency cash activities.

The Financial Services Manager will lead a quarterly Quality Assurance/Quality Control (QA/QC) meeting with DID Intell, Alpha, and CAP. The Financial Services Manager will conduct quality spot checks of the ledger activity and documentation. Additionally, DID/CID Divisions will email their quarterly statements and courtesy-copy those statements to the Police Administrative Services Manager to further enhance the Department's QA/QC efforts. Ledgers will be uniformly maintained with an electronic spreadsheet to eliminate errors. These new procedures will be incorporated into the Financial Services Division Manual.

Responsible Party

Financial Services Manager/DID/CID Division Commanders

Implementation Date

March 1, 2009

**City of El Paso
Internal Audit Office
2008 Police CALEA ® Financial Follow-Up Audit**

Current Observation

- The Quarterly Cash Audit Reports/Memos for the period 9/1/08 - 8/31/09 for DID Alpha, DID Narcotics/Vice, DID Centralized Intelligence, and CID CAP Sections were submitted and matched the ledger or electronic spreadsheet activity.
- The CID CAP Section reports cash advances as disbursements in their quarterly reports and ledger.

Current Status

Implemented.

Finding 3

Directed Investigation Division (DID) Undercover Cash Funds

The following undercover cash fund procedures specified within the Criminal Investigations Manual are not being adhered to:

- Electronic spreadsheets are not being maintained for all undercover cash funds.
- Division Commanders are not performing quarterly audits of the DID Alpha Section and DID Narcotics section cash funds.
- DID Alpha and DID Intell Operations are not placing vouchers and expenditure sheets in an envelope marked with the detective's name, ID #, date of clearance and related case number or informant number.

The following internal control weaknesses were identified in the maintenance of undercover cash funds:

- DID Narcotics/Vice Section – the DID Narcotics/Vice Lieutenant is performing quarterly cash counts by himself.
- DID Intell Operations – Three disbursements, totaling \$800.00, made from the Intell Operations undercover cash fund during Fiscal Year 2007 – 2008 do not have supporting documentation on file within the section.

Recommendation

The procedures in place for undercover cash funds should be consistently followed among Police Department Divisions/Sections to address issues identified in the finding.

Management's Response

The Financial Services Manager and DID/CID Divisions will maintain accurate quarterly accounting and properly prepared quarterly reports of all agency cash activities.

The Financial Services Manager will lead a quarterly Quality Assurance/Quality Control (QA/QC) meeting with DID Intell, Alpha, and CAP. The Financial Services Manager will conduct quality spot checks of the ledger activity and documentation. Additionally, DID/CID Divisions will email their quarterly statements and courtesy-copy those statements to the Police Administrative Services Manager to further enhance the Department's QA/QC efforts. Ledgers will be uniformly maintained with an electronic spreadsheet to eliminate errors.

Additionally, the DID Narco/Vice Lieutenant will no longer perform Quarterly cash counts by himself.

Responsible Party

Financial Services Manager/DID/CID Division Commanders

Implementation Date

March 1, 2009

**City of El Paso
Internal Audit Office
2008 Police CALEA ® Financial Follow-Up Audit**

Current Observation

- Electronic spreadsheets are being maintained for all undercover cash funds as of 3/1/09.
- The Division Commander has not performed quarterly audits of the DID Sections for the period under review 9/1/08 – 8/31/09.
- Vouchers, expenditures sheets and support documentation are being placed in envelopes marked with the Detective's name, ID#, date of clearance, and related case number or informant number.
- Cash counts are now performed on a monthly basis by each Section Lieutenant and another individual.
- The appropriate support documentation was on file for the quarter selected for review (6/1/09 – 8/31/09).

Current Status

In Progress, but Management will assume the risk of not implementing corrective actions.

Finding 4

Criminal Investigations Division (CID): Crimes Against Persons (CAP) Section

Based on a review of the CAP cash fund disbursements and reimbursements conducted during Fiscal Year 2007-2008, the following discrepancies were noted:

- The Criminal Investigations Division Policy in place for section discretionary cash funds has not been approved by the Chief of Police.
- The CAP Section is not maintaining supporting documentation on file for all of its cash disbursements. Supporting documentation had to be obtained from other sources in order to account for nine disbursements totaling \$1,927.84.
- Correct denominations are not being disbursed for expenses due to lack of adequate change.
- A \$10.00 discrepancy has been carried in the CAP discretionary fund ledger, but the balance has been accurately reported in the CAP Section quarterly reports.

Recommendation

The CAP Section cash fund should:

- Be administered under an approved set of procedures.
- Maintain proper documentation for all advances and expenditures.
- Disburse proper denominations for expenses.

Management's Response

The CAP cash fund will incorporate an approved set of procedures into their Division Manual.

CAP will maintain accurate quarterly accounting and properly prepared quarterly reports of all agency cash activities, to include copies of all supporting documentation of expenditures.

The Financial Services Manager will lead a quarterly Quality Assurance/Quality Control (QA/QC) meeting with CAP. The Financial Services Manager will conduct quality spot checks of the ledger activity and documentation. Additionally, DID/CID Divisions will email their quarterly statements and courtesy-copy those statements to the Police Administrative Services Manager to further enhance the Department's QA/QC efforts. Ledgers will be uniformly maintained with an electronic spreadsheet to eliminate errors.

Additionally, the CAP Lieutenant will disburse exact denominations that match documented expenses.

Responsible Party

CAP Lieutenant

Implementation Date

March 1, 2009

**City of El Paso
Internal Audit Office
2008 Police CALEA ® Financial Follow-Up Audit**

Current Observation

- The CAP Section cash fund is not being administered under an approved set of procedures. The Criminal Investigations Division Policy for Section Cash Funds is still under review and has not been approved by the Chief of Police.
- The CAP Section is maintaining support documentation on file for all its cash advances and disbursements.
- Proper denominations are being provided for all disbursements.
- There were no discrepancies between the balance on the discretionary cash fund ledger and the Quarterly Cash Audit Reports for the period 9/1/08-8/31/09.

Current Status

In Progress, but Management will assume the risk of not implementing corrective actions.

City of El Paso
Internal Audit Office
2008 Police CALEA ® Financial Follow-Up Audit

Finding 5

Abandoned Auto

A review of the Abandoned Auto revenue generated for the month of July 2008 (22 business days) was conducted. With the following observations:

- The Abandoned Auto Division does not have documented procedures specifically for their section.
- Different types of receipts are provided to customers depending on who is running the register.
- Abandoned Auto does not perform reconciliations of revenues and deposits.

Recommendation

- Documented procedures should be developed for the Abandoned Auto Section to include consistency in the types of receipts that are provided to customers.
- Reconciliations of deposits for revenues should be performed and reviewed on a consistent basis.

Management's Response

Documented procedures will be developed for the Abandoned Auto Section to include:

- Consistency in the types of receipts that are provided to customers, and:
- Reconciliations of deposits for revenues performed and reviewed on a monthly basis.

Responsible Party

Fleet Maintenance Chief

Implementation Date

March 1, 2009

Current Observation

- The Abandoned Auto Operations Manual has been developed and outlines procedures that are applicable to all operations conducted by the Abandoned Auto Unit.
- The manual includes procedures for consistency in the types of receipts that are provided to customers. Receipts are printed from the Checkoff database which is the main database used by the Abandoned Auto Unit to track all impounded vehicles.
- Reconciliations of revenues are performed and reviewed on a daily basis by Abandoned Auto Unit staff and a Records Division Supervisor. However, reconciliations of deposits are not being performed by the EPPD Financial Services Division or the Abandoned Auto Unit as required by Section 5.4 of the City of El Paso Cash Management Manual dated May 2009. The section states that "...Reconciliations to the general ledger system should be prepared at the departmental level to ensure that all receipts are traced into the general ledger. An individual at the departmental level should document these reconciliations."

Current Status

In Progress, but Management will assume the risk of not implementing corrective actions.

Finding 6

General Ledger (GL) Posting

Abandoned Auto daily revenues and the Records Division Public Counter daily revenues are not being posted to the GL in a timely manner and are being grouped as one journal entry making it difficult to trace daily receipts for a particular day. For the month of July 2008:

- Abandoned Auto daily revenues were posted to the GL by Financial Services between one (1) to four (4) business days after receipt of the funds from Abandoned Auto. There was one instance noted in which the GL posting was conducted by Financial Services ten (10) business days after receipt from Abandoned Auto.
- Four (4) out of 22 (18%) Abandoned Auto daily revenue receipts were grouped with another day's revenue.
- Public Counter daily revenues are being posted to the GL by PD Financial Services between one (1) to six (6) business days after receipt of the funds from the Records Division.
- 17 out of 22 (77%) public counter daily revenue receipts were grouped with either other Records Division revenue or with another day's revenue.

Recommendation

Abandoned Auto and Records Division daily revenues should be posted to the General Ledger in a timely manner and should not be grouped as one journal entry.

Management's Response

Abandoned Auto and Records Division daily cash revenues will be delivered to Financial Services no later than 9:30 am the next business day for pickup by a cash courier for delivery to the bank and posting to the General Ledger. Accordingly, daily revenues will not be grouped as one journal entry. Abandoned Auto, Financial Services, and Records will update their Division procedures manual accordingly.

Responsible Party

Fleet Maintenance Chief, Financial Services Manager, and Records Manager

Implementation Date

March 1, 2009

Current Observation

A review of GL postings for deposits made during August 2009 identified the following:

- Abandoned Auto Unit and Records Division Public Counter daily revenues are being posted to the GL by EPPD Financial Services in a timely manner after funds were deposited:
 - Abandoned Auto Unit: One (1) to three (3) business days
 - Records Division Public Counters: Zero (0) and three (3) business days. However, there were instances of delays in the posting of 15 and 13 business days after the funds were deposited.
- Abandoned Auto daily revenues and Records Division Public Counter daily revenues were grouped as one journal entry. However, we found that the amounts involved were small or of the same type of income so there will be no additional follow-up in this area:
 - Two (2) out of 21 (9.5%) Abandoned Auto daily revenues were combined and posted as one journal entry. These included revenues of \$550.00 for August 28, 2009 and \$752.00 for August 31, 2009.
 - 21 out of 21 (100%) Public Counter daily revenue receipts were combined with other Records Division revenue and were posted as one journal entry making it difficult to trace deposits. The combined revenues included Records Division revenues of \$23,299.57 for the Public Counters and \$2,561.77 for the Mail Desk.
 - One (1) out of 21 (4.8%) Public Counter daily revenues for the Westside Public Counter from 8/6/06, in the amount of \$264.60, were combined and posted with another day's revenues. The revenues were not deposited on the appropriate date due to the pending review of a shortage.

Current Status

In Progress, but Management will assume the risk of not implementing corrective actions.

INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

CONCLUSION

Based on the results of this follow-up audit, we found that of the six (6) original findings, two (2) have been implemented and four (4) are still in progress.

The El Paso Police Department has made an effort towards implementing the original audit finding recommendations. Although most recommendations have been substantially implemented, Management will assume the risk of not implementing corrective actions for the four (4) findings considered to be “In Progress”:

- Finding 3 – Quarterly audits of Directed Investigation Division (DID) undercover cash funds performed by the Division Commander.
- Finding 4 – Approval of the Criminal Investigations Division Policy for Section Cash Funds by the Chief of Police.
- Finding 5 – Reconciliations of deposits to the general ledger for the Abandoned Auto Unit should be performed.
- Finding 6 – Records Division Public Counter daily revenues should be posted to the general ledger in a timely manner after funds are deposited.

Management is considering foregoing the CALEA Certification due to the facility requirements, thus, no additional follow-up of this audit will be conducted. However, the El Paso Police Department can expect future audit work to be performed to address weak internal controls within the El Paso Police Department.

We wish to thank the management and staff of the El Paso Police Department for their assistance and numerous courtesies extended during the completion of this follow-up audit.

Signature on File
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